Independent Record

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Opinion

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Are you concerned about the quality of groundwater in the Helena Valley?

Send your thoughts to the IR by Friday. You can submit your response at www.HelenaIR.com, to the IR, P.O. Box 4249, Helena, MT 59604, e-mail it to irstaff@helenair.com, or fax it to 447-4
We'll report on your responses the following Monday.

SENATE NATURAL RESOURCES
EXHIBIT NO. 1
DATE 1-12-07
BILL NO. Joint Hearing w/HB-6 Env Committee

Let's learn from past mistakes

By KEN TOOLE

Your Turn

"Those who can not remember the past are condemned to repeat it." Those words of the philosopher George Santayana are worth remembering in our discussion of energy issues. What we are hearing today is hauntingly familiar to anyone who lived through the "coal wars" in Montana in the 1970s and 1980s.

In the late 1960s and early 1970s there was broad recognition that our dependence on oil coming from the politically volatile middle-east was a matter on national security.

The Nixon Administration unveiled "Project Independence," a plan to be energy independent by 1985. One component of that plan was the North Central Power Study released in 1971.

The study proposed some 42 large coal plants in western states, 21 of those slated for Montana. The public really didn't get engaged until the middle-east blew up again, giving us the Arab Oil Embargo of 1973.

The resulting dramatic price increases and shortages created an energy crisis. Coal became "America's ace in the hole." The proponents of coal development agreed, we can do it right; quickly, efficiently and cleanly. Sound familiar?

Opponents of the coal boom were concerned about water quantity and quality, air pollution, cost to consumers, land use, boom and bust economic impacts and on and on. The great coal wars began.

Without going through the bloody details, it is sufficient to say that only two solid proposals moved forward in Montana, Colstrip 3 and 4.

These multi-billion dollar plants came on-line just in time to contribute to a surplus in the regional power markets. Other developers had been building power plants at the same time for the same reasons.

Montana Power moved to have Colstrip 3 put into customer rates and more controversy ensued. Customers ended up paying higher prices and Montana Power went through a financial hemorrhage, selling Colstrip 4 to the City of Los Angeles at a discounted price.

By the 1990s it was all a dim memory. The conservation policies implemented in the 1970s and 1980's were curtailed and abandoned. The push for new clean renewable energy technology turned into a shrug and we continued on our merry way until we were hit by another energy crisis ... which is where we sit today.

One of the big lessons we should take away from our last energy crisis is that big power plants are risky.

Private financial markets know that it is difficult to predict power prices over a long period of time, let alone the 30 years or so it takes to pay for a big coal plant.

Given the lack of private capital available, developers turn to the public trough. They want public "infra-structure" investment, tax deferrals, public/private partnerships and market guarantees (putting Montana rate payers on the hook for the power before the plant is built to guarantee a revenue stream). A subsidy is a subsidy by any other name.

But there are other lessons in our last energy crisis. And there are a lot of things we can do to manage the risk inherent in meeting our energy needs in the future.

1. Use what we have efficiently — One of the successes of the energy crisis of the 1970's was a dramatic reduction in our energy consumption. We know it works and it is the cheapest and cleanest alternative.

2. Use clean power sources — Greenhouse gas emissions are unacceptable and are going to become much more costly as regulators move to penalize those emissions to try to stop the global warming crisis. We should not support projects that will contribute to global warming and risk getting caught in the regulatory cross fire.

3. Build smaller, decentralized and diversified power generators — Reducing the size lowers risk, placing smaller plants around the system, close to where the power is used, has lots of benefits including dampening the boom and bust economic effects, lower transmission costs and better system reliability. It also spreads around the economic benefits.

4. Use cutting edge technology — New technology offers great promise for operating our electric system much more efficiently. Digital switching, real-time metering, and other new technologies for managing power generation, loads and the grid offer great opportunities to become more efficient. We should take them.

It's worth remembering that we have been here before and we made some pretty big mistakes.

Let's not make them again.

KEN TOOLE *is the Chairman of the Policy Institute and Commissioner-elect to the Montana Public Service Commission. His term begins Jan. 2.*